No. 12403.

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

WILLIAM J. DUBIL, EDWARD J. HUBIK, and EARL F. SHORES,

Appellants,

vs.

RAYFORD CAMP & CO., and RAYFORD CAMP,

Defendants.

APPELLANTS' REPLY BRIEF.

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APPELLANTS' REPLY BRIEF.

I.

ULTIMATE QUESTION.

Having now read both the appellants' and appellees' briefs, the Court may ask itself the ultimate question in this case concerning the attorneys' fees, to wit, is $15,000.00 a reasonable attorneys' fee for a 9-days' trial and the usual preliminary matters such as were had in this case?

That sum might be a reasonable attorneys' fee for the Victor Talking Machine Company, an Association of Bill Posters of the United States and Canada, or the Metro-Goldwyn-Mayer Pictures Corporation. These three multi-million dollar corporations or group of corporations were

the parties against which attorneys' fees in excess of $15,000.00 were awarded (Appellees' Br. p. 9). However, that amount of attorneys' fees for the three relatively poor men—the appellants here—would mean absolute or near financial ruin. The visiting judge who tried this case and entered that enormous fee must have thought that because this case was tried not far from Hollywood, the attorneys' fee must be "colossal."

Judges Disagreed in THIS Case.

With the exception of the Findings, Conclusions and Judgment, all matters both before and after the trial of this case were heard and decided by Judge Leon R. Yankwich, of the Southern District of California, whose case this was. After the record in this case was complete, and following the uncertainty of the out-of-state trial judge who did not know whether he wanted to assess $15,000.00, $12,000.00 or $20,000.00 [Tr. 143 and 146] as a reasonable attorneys' fee, Judge Yankwich held that a $1,000.00 *supersedeas* bond was sufficient in this case! He coupled this with the requirement that the appellants not dispose of or encumber their businesses or file voluntary petitions in bankruptcy without Court approval and notice to the other side [Tr. 154-5].

Over the strenuous objection of the appellees, this was granted on Appellant's Petition under Rule 73(d) whereby "for good cause" the Court could fix a different amount of bond than the judgment. The appellants contended in connection with such Petition that an attorneys' fee of this size was an abuse of discretion of the Lower Court,

out of line with the other precedents of said Court, that there was no evidence of the amount of preparation for this case, that there was no evidence as to what amount the defendants had paid their attorneys in this case, how much the defendants owed such attorneys or how much was charged the defendants for this case, and that it would be a severe hardship on the plaintiffs to have to put up a $15,000.00 bond [Tr. 152-3].

Apparently agreeing with these arguments, Judge Yankwich held that "good cause" had been shown, for entering the order for $1,000.00 bond, with the provisions stated above.

Thus, it is submitted, the other judge who sat in this case, Judge Leon R. Yankwich clearly expressed his disapproval of such an excessive attorneys' fee. Thus the judges who sat in the Lower Court in this case did not agree that $15,000.00 was a reasonable attorney's fee.

Outside the Record.

Appellees' brief claims on page 3 that "Appellants' Brief discusses many matters not shown by the record on appeal" without mentioning a single instance. An effort was specifically made by the appellants in their Appellants' Brief not to mention anything outside the record. If anything crept in (and none is known at this time), it was inadvertent and indirect and not at all intentional.

This may have been a mere excuse for the many occasions where the appellees brought in matters that were not only not in the record on appeal, but not even in the record at any time in this case. They will be pointed out from time to time in this Reply, at the respective points.

Alleged Fraud.

As to the statement by appellees' counsel that the undersigned was the "instrument" by which the Hubik affidavit, which they claim contained "misrepresentations," was submitted to the Patent Office, either of two inferences is to be drawn from this. Either it is entirely immaterial in this case, and, therefore, should have been omitted, or if it is intended to mean that the undersigned knowingly submitted misrepresentations to the Patent Office, then it is false and entirely unwarranted, and exception is taken to it on the ground that such inference is an absolutely untrue one.

Shores Not Involved.

There appear to be several things to be considered in considering the appellees' argument that the excessive attorneys' fee should be allowed to stand, not because it is "reasonable" as required by 35 U. S. C. A. §70, but because of alleged fraud. The first thing that appears from appellees' own brief is that this pertains to the "appellants (at least, Dubil and Hubik, the patentees)." From this carefully framed statement, it will be noted that they are anticipating the statement about to be made: There is not one single word in the Findings, Conclusion or Judgment (or the entire record for that matter) to the effect that the appellant Earl F. Shores had ever had any knowledge whatsoever of such alleged misrepresentation until the trial of this case.

The Trial Judge thought "Edward H. Hubik and Earl F. Shores are now the owners" of the patent in suit [Opinion, Tr. 99]. The Findings, written by counsel, corrected this: "At all times . . . Dubil and Hubik have each owned an undivided one-half interest therein" [Tr. 130]. Shores is only a licensee in part of Los An-

geles County [Tr. 131]. He has no other interest in the patent in suit. This confusion of the Trial Judge appears to be the reason why he included the appellant Shores in the assessment of the extremely large attorneys' fees. In all fairness, it should be said that the Appellees' Brief does not claim that Mr. Shores had anything to do with it. Therefore, any attorneys' fee assessed on the ground of such alleged misrepresentation should not be assessed against the appellant Shores. The attorneys' fee, it is submitted, should be reversed for this reason alone.

However, the attorneys' fee statute should not be used as a penalty, even against the appellants Dubil and Hubik. If Mr. Hubik's statements were knowingly not correct (and this is emphatically denied because all the facts were not brought out at the trial), that matter should be brought up in an appropriate proceeding and then the whole matter could be gone into. It is submitted that the new provision for "reasonable" attorneys' fees should not be used to fine a person collaterally when he has never been tried on that ground.

As one of the attorneys on the brief *amici curiae* in this case expressed it, "Even the fine for perjury would not be any such amount as $15,000.00!"

Other Suits.

The only other suit on the present patent even mentioned in the record here is the case of *Dubil and Hubik v. Landau and Levy* [Tr. 166-180, and 189-190]. Thus the statement in appellees' brief (p. 4) of "a number of suits filed by appellants against others charging infringement" of the patent in suit, is (a) not in the record, and (b) not true. As far as known, these particular appellants have never before filed a suit altogether, on this patent or upon any other patent.

The one suit mentioned in the record is the one in which the Lower Court held the patent in suit valid not only in the consent decree against Landau, but also in the strongly contested case against Levy.

Any argument based upon the file wapper of the patent in suit (as done in the first full paragraph on page 5 of Appellees' Brief) is wholly outside the record and to be ignored.

Concession?

Appellees state that the "appellants concede that the patent in suit was obtained by fraud" (p. 5). That is not correct. It is true they have not appealed from the holding of misrepresentation mentioned hereinbefore. However, it was not done because of a concession, but frankly, because due to the already high cost of this case, appellants face bankruptcy or nearly so, if this Honorable Court should sustain the $15,000.00 attorneys' fees. Fees of that magnitude would make patent litigation for relatively poor individuals a "rich man's privilege." Appellants had hoped that a determination of the unfairness of that assessment of attorneys' fees could be made by this Honorable Court without the expenditure necessary to print the testimony of nine days of trial, which as this Court knows, is no small item.

Unreasonably Prolonged?

Appellees cite the Finding of the Lower Court that the trial was "unreasonably prolonged" by appellants. Since this issue is not dependent upon oral testimony nor disputed questions of fact but upon undisputed matters in the record (see Appellants' Br. p. 8) this Court appears to have full power to reverse the Findings and Conclusions of the Lower Court, as it did in the case of *Gomez v.*

Granat Bros., 177 F. 2d 266 (C. C. A. 9, Oct. 1949). Also, as stated by Judge Yankwich in 8 Fed. Rules, Dec. 271,

> "Once they determine that a cause was improperly decided, neither the Circuit Court of Appeals nor the Supreme Court hesitates to disregard findings."

Thus when the appellees argue that the trial judge was the "best judge of this," the appellants' answer is that the record does not bear out this argument. Appellees also contend that there is no evidence tending to show that this finding of "prolonging" the trial is incorrect. The nine days of trial alone refutes this. If appellants' attorney had just sat in the courtroom for nine days without doing anything, $15,000.00 would still be an enormous fee.

The statement that appellants' counsel represented to Judge McCormick and Judge Yankwich that this case would take only two or three days to try in its entirety is (a) another thing not contained in the record in this case, and (b) not in accordance with the remembrance of the appellants' counsel.

It is believed that the analysis of the time spent, as shown by the record in this case, as given on page 8 of Appellants' Brief, clearly shows that appellants did not as a matter of fact "prolong" the trial. Certainly no useful purpose would have been gained by it, and $15,000.00 would be unreasonable even if it had been "prolonged" to only nine days.

Judge's Reduction.

Appellees claim (p. 7) that the appellants' argument now made is substantially the same made to the Lower Court. As anywhere near an exact statement, this is far from the truth, and here again, we find another place

where the appellees depart from the record of this case. If some of the arguments did cause the trial judge to reduce the "already reasonable" attorneys' fees from $20,000.00 to $15,000.00, it shows that the trial judge admitted that he was in error in the amount of $5,000.00 or 25% of his original holding!

If some of the same arguments were made to Trial Judge Cavanah, those same arguments were also made to Judge Yankwich, and the latter reduced the amount of the bond from $15,000.00 to $1,000.00, which would seem to be more in line with what a reasonable attorneys' fee should be—if any is to be assessed in this case. Judge Yankwich apparently thought $1,000.00 would be reasonable.

The appellees contend that appellants got a *"bargain"* when the trial judge reduced the attorneys' fee 25% or $5,000.00. That is not the interpretation the appellants place upon this reduction. This is believed to show the confusion in the Lower Court's mind as to whether $12,000.00, $15,000.00 or $20,000.00 should be the figure that he would pick out of the air.

$15,000.00 Unreasonable.

Appellees' Brief states (p. 7), "The record on appeal and particularly the docket entries [R. 158-165] indicate . . . the extensive preparation required . . . of appellees' *three* counsel" (italics added). This statement is certainly challenged. There is absolutely nothing either in the Docket Entries, in the rest of the record here, or in the record below about what time was required by appellees' several counsel prior to the trial. At the trial, appellees had three attorneys sitting at the defense table throughout the case (except that one of them took one day off). Suppose there had been *nine* attorneys sitting

there. If there had, by the appellees' reasoning, charges for these should also have been included in the attorneys' fees.

Of the three attorneys representing the appellees at the trial, one never said a word throughout the trial. A second one cross-examined a short witness while the attorney who conducted most of the trial just sat at the defense table. The one principal attorney could easily have also cross-examined this additional witness. Thus only one man's time should be charged for (if any charge is to be made).

Apropos of the fact that in most cases the Lower Court has assessed no attorneys' fees in patent cases (Appellants' Br. p. 22), and that the out-of-state trial judge in this case entered attorneys' fees for almost five times as great as the highest ever assessed in the Lower Court by the resident judges, is the appellees' own citation of *Straus v. Victor Talking Mach. Corp. et al.* (C. C. A. 2), 297 Fed. 791, 805:

> "A reasonable attorney's fee in New York, for New York attorneys, is to be measured by New York standards of fees ordinarily charged."

Appellees admit in their brief (p. 7) that it is not shown by the record (and it might have been added that it was not shown by the record below) what was charged by appellees' counsel either for fees or expenses. Nevertheless, they dragged the sum of $18,000.00 into their brief. If the appellees were charged $18,000.00 for attorneys' fees and expenses up to but not including the hearing of this quite ordinary patent infringement case, then without equivocation we say that is very, very excessive!

Since appellees are now presenting this for the first time, without giving appellants the opportunity of cross-examination with regard to such allegations, it is submitted that the award of attorneys' fees should be reversed, or at least sent back to the Lower Court, so appellants could have "their day in court" *re* same.

II.

RE JURISDICTION OF SECOND CAUSE OF ACTION.

On page 2 of their brief, appellees mention twice that the appellants challenge the jurisdiction of the Lower Court to try the unfair competition issues. On neither occasion do they state that appellants also contend that the matter of infringement of the State-registered trademark should not have been tried in this case.

It should also be remembered that the patent in suit is on the process of making steaks and not upon the steaks themselves. Thus infringement upon the patent in suit is by carrying out the process—not selling the steaks.

A rather unusual position is taken by appellees in their brief in reply to appellants' contention that the Lower Court lacked jurisdiction to try the second cause of action in the Complaint. They do not go back on a single argument that they made [Supp. Tr. 203-212] in the Lower Court to the effect that the Lower Court did not have jurisdiction. Their argument here is that the appellants cannot now raise the question of jurisdiction because the matter was decided in favor of the latter below. However, the authorities they cite (Appellees' Br. 11-12) do not pertain to raising the question of jurisdiction. It is basic

that this can be raised at any time. When a case is outside the jurisdiction of the Federal Court, it is:

> "Subject to dismissal at any stage of the case." —*Hurn v. Oursler,* 289 U. S. 238, 248, 77 L. Ed. 1148 (which case is the leading one on the question of jurisdiction, but it never was so much as mentioned in appellees' brief).

See also Rule 12(h)(2) of the Rules of Civil Procedure,

> "*Whenever* it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter, the court shall dismiss the action." (Italics added.)

It is believed that the word "whenever" in the last quotation is all-inclusive. That is, the parties are never foreclosed from raising the question of jurisdiction. If the Lower Court had no jurisdiction, no action or inaction of the parties would confer jurisdiction upon the court.

Corpus Juris Secundum, cited by the appellees as an authority in their favor, appears to be against them on this point. See the following in 35 Corpus Juris Secundum 921-3:

> "Where a case is not within the general federal jurisdiction or, as otherwise stated, where jurisdiction of the subject matter or controversy is lacking, such want of jurisdiction is fatal at every stage of the proceeding. Such want of jurisdiction is not cured by the fact that jurisdiction of the person of the defendant has been obtained, or by the consent of the parties, *or by waiver of the objection;* as otherwise frequently stated, jurisdiction in such case cannot be conferred by the consent of the parties, or by waiver of the objection. The foregoing rules as to consent

and waiver include objections based on want of requisite diversity of citizenship, or on want of the requisite jurisdictional amount.

"The general rule is that the objection for want of jurisdiction of the controversy or subject matter may be made at any stage in the proceeding." (Citing Rule 12(h), *supra.*) (Italics added.)

See also *Leidecker Tool Co. v. Laster et al.* (C. C. A. 10), 39 F. 2d 615:

". . . jurisdiction cannot be conferred by consent or waiver."

In *Mason v. Hitchcock et al.* (C. C. A. 1), 108 F. 2d 134, 136, counsel argued that defendants waived the question of jurisdiction by making a general appearance. The court said:

" 'Consent of the parties can never confer jurisdiction upon a federal court. Any jurisdictional fact prescribed by the statute is absolutely essential, and cannot be waived, and the want of it may be raised at any stage of the cause.' U. S. Envelope Co. *et al.* v. Transo Paper Co. *et al.*, D. C., 229 F. 576, 579; Chicago B. & Q. Ry. Co. v. Willard, 220 U. S. 413, 31 S. Ct. 460, 55 L. Ed. 521."

In *Caesar v. Burgess et al.* (C. C. A. 10), 103 F. 2d 503, the question of jurisdiction "was not presented in any form to the court below." The court said:

"It is raised here for the first time, but since it relates to jurisdiction of the subject-matter it may be raised at any time."

Re Prejudice and Factual Showing.

The appellees' argument of "no prejudice" (p. 12) appears to be based upon the premise that even though the Lower Court did not have jurisdiction, it does not prejudice the appellants' rights anyway. This is believed entirely without foundation. There is decided prejudice. If the Lower Court had no jurisdiction, then the decision holding the State-registered trade-mark invalid and no unfair competition is decidedly prejudicial to the appellant's trade-mark and unfair competition rights. Nothing could be more prejudicial to the State-registered trade-mark than to hold it invalid. Nothing could be more prejudicial to the appellants' unfair competition rights than to hold that they had none.

Furthermore, appellees claim there is "no factual showing" (p. 13) upon which to base lack of jurisdiction. The answer to that argument is the Complaint itself. The appellees brought their "Motion to Dismiss the Second Count of Plaintiffs' Complaint for Lack of Jurisdiction" upon the Complaint alone. If the Lower Court had no jurisdiction over the question of infringement of the State-registered mark and over unfair competition between citizens of the same state (all of which is alleged in the Complaint), then no amount of testimony of such infringement or of such unfair competition between citizens of the same state would confer any jurisdiction. The trial of the case could not and did not add anything to change these facts alleged in the Complaint.

Appellees' Brief calls the arguments given by the Appellants in the court below, in support of the court's jurisdiction, "admissions." They, of course, were not admissions, but arguments.

The true situation is that the present argument, contained in Appellants' Brief and in this Brief, is made after conferring with two other patent lawyers who suggested to the undersigned that in their opinion the Lower Court in this case did not have any jurisdiction to try the matter of the infringement of a State-registered trade-mark and a matter of unfair competition between citizens of the same State, in a Federal Court, whether they were coupled in the same Complaint with a charge of patent infringement or not. That was after the judgment was rendered below and after the argument was made below. This was the direct cause of making the present argument.

It will be significantly noted that nowhere do the appellees state that the arguments given by the appellants below (quoted in their brief on pp. 13-14) are in accordance with their opinion, or that such arguments are well taken. On the other hand, the appellants refer to and incorporate in appellants' brief the entire argument which was submitted below by appellee [Tr. 30], which is now believed to be the correct view. On occasions the Supreme Court has been known to change its mind. Without in any way making a personal comparison to the Supreme Court, perhaps that privilege could be accorded one individual attorney.

An additional authority coming to the attention of the undersigned is *Moore's Federal Practice,* pp. 2122-3, reading as follows:

> "If, however, two or more independent causes of action are involved, each must have a jurisdictional basis. If there is a federal basis for cause of action 1, but there is none for cause of action 2, then the latter may not be joined, or if joined, *it must be dismissed,* unless there is diversity or alienage to support the second cause of action." (Italics added.)
>
> "The venue must be proper as to *each* cause of action." (Italics added.)

Conclusion.

In conclusion, it is submitted that the award of attorneys' fees should be reversed (a) as to the appellant Shores because he had no part whatever in any alleged misrepresentations to the Patent Office, (b) as to the appellants Hubik and Dubil because they should not be fined collaterally by calling a fine "attorneys' fees", and because $15,000.00 is entirely unreasonable as attorneys' fees for this ordinary, patent infringement action.

It is submitted that if any attorneys' fee is to be awarded that this matter be sent back to the Lower Court to determine what would be reasonable, if anything, for the respective appellants, in view of appellant Shores' entire lack of knowledge of any alleged misrepresentations.

The lack of jurisdiction of the Lower Court to try the second count of the Complaint with regard to the in-

fringement of the State-registered trade-mark and the question of unfair competition between citizens of the same state, is believed clear in the preesnt case where the patent sued upon is only a process patent. A process patent can of course only be infringed by carrying out the process. Sale of the product of the process (which is all that is involved in the trade-mark infringement and the unfair competition) is not involved in the federal question.

It is significant that appellees do not deny in their brief that the Lower Court lacked jurisdiction to try said second count.

Reversal is believed in order on both of the two grounds of appeal.

Respectfully submitted,

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